

Internal Revenue Service

Department of the Treasury

District
Director

P.O. Box 2508, Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:

EP/EO

Date:

AUG 2 1 1935

Dear Sir or Madam:

- We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code of 1954 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a trust or Form 1120 if you are a corporation or an unincorporated association.


If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, 'Consent to Proposed Adverse Action.'

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892 (Rev. 7-83), "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by

someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, this will become our final determination.

Sincerely yours,


District Director

Enclosures: 3

ENCLOSURE I

[REDACTED]

Your application discloses that you were formed [REDACTED] for the following purposes:

- (1) To provide an exchange of information and ideas among members.
- (2) To interact with [REDACTED] for mutual benefits in the areas of service, product enhancement, and creation of new appliances.

Your membership is composed of [REDACTED] users in the retail environment. Providers of the related [REDACTED] computer hardware and software qualify for associate membership.

Presently, your regular membership consists of [REDACTED] retailers using the [REDACTED] computer system and [REDACTED] related service providers. Representative companies include department stores, book stores, fast-food operations, shoe stores, etc.

You hold a general meeting annually during [REDACTED]. The annual meeting is a forum to share ideas on effective use of the [REDACTED] equipment. [REDACTED] providers furnish tips and training on equipment usage.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues, chambers of commerce, real-estate boards, boards of trade or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 83-164, 1983-2, C.B. 95 provides in part that an organization whose members represent diversified businesses that own, rent or lease computers produced by a single computer manufacturer does not qualify for exemption from federal income tax as a business league under 501(c)(6) of the Code.

[REDACTED]

Revenue Ruling 83-164 is distinguished from Revenue Ruling 74-147, 1974-1 C.B. 136 which provides that an organization whose members represent diversified businesses that own rent, or lease digital computers produced by various manufacturers, and is organized to improve the efficiency of its members use of computers, qualifies for exemption under 501(c)(6).

Your members have a common business interest concerning the use of computers. However, your activities are directed to users of equipment made by one manufacturer. Therefore, your activities are directed toward a segment of an industry rather than the industry as a whole.

Accordingly, we have determined that you do not qualify for exemption under section 501(c)(6) of the Code.